

	NTA
Unit Price - 31/10/2019	1.0866

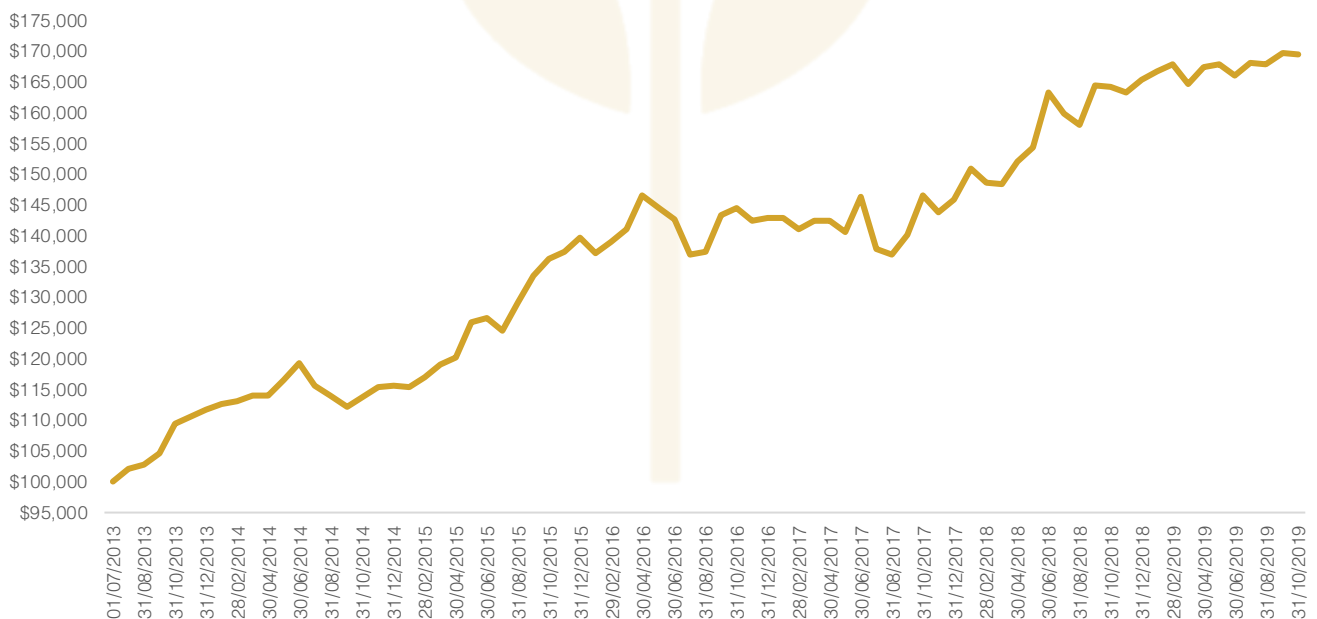
Investment Returns (net of fees)*

	Harvest Lane Absolute Return Fund	RBA Cash Rate	Outperformance
Cumulative return (since inception 01/07/2013)	69.47%	12.17%	57.30%
Trailing 5 year return p.a.	8.31%	1.72%	6.59%
Trailing 3 year return p.a.	5.46%	1.45%	4.02%
Trailing 12 month return	3.20%	1.29%	1.91%
Trailing 3 month return	0.78%	0.23%	0.55%
Trailing 1 month return	-0.15%	0.06%	-0.21%

* Past performance is no indication of future performance. Investments may rise and fall in value and returns cannot be guaranteed. Returns are based on the mid-point of unit prices and are net of all fees and charges. Unless otherwise stated, all figures are in Australian dollars and include GST. Return calculations covering a period greater than 12 months assume the reinvestment of distributions.

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD
FY14	2.10%	0.70%	1.78%	4.51%	1.02%	1.05%	0.80%	0.45%	0.73%	0.11%	2.20%	2.43%	19.34%
FY15	-3.18%	-1.26%	-1.61%	1.31%	1.35%	0.18%	-0.02%	1.36%	1.62%	1.05%	4.82%	0.45%	6.01%
FY16	-1.53%	3.67%	3.32%	2.01%	0.90%	1.71%	-1.78%	1.34%	1.45%	3.94%	-1.51%	-1.30%	12.65%
FY17	-3.91%	0.31%	4.33%	0.81%	-1.40%	0.34%	0.00%	-1.29%	0.91%	-0.06%	-1.26%	4.10%	2.63%
FY18	-5.84%	-0.66%	2.47%	4.56%	-1.90%	1.45%	3.41%	-1.52%	-0.16%	2.52%	1.52%	5.78%	11.65%
FY19	-2.13%	-1.16%	4.08%	-0.11%	-0.62%	1.27%	0.80%	0.81%	-2.01%	1.65%	0.34%	-1.03%	1.73%
FY20	1.23%	-0.17%	1.10%	-0.15%									2.02%

Growth of \$100,000 Since Inception



Manager Commentary

October's modest negative performance of -0.15% is a case of the numbers not quite telling the full story. The portfolio saw a marked change in composition as a large number of mature deals completed, bringing with it a much needed reinjection of cash to recycle into new opportunities. The majority of the portfolio made positive contributions to performance with non-specific weakness amongst a handful of positions enough to offset it. New deals continue to flow and we are seeing increased offers in existing positions, setting the portfolio up for what should be a strong finish coming in to the end of the calendar year.

The latter half of the month saw numerous deals complete. Credible Labs (CRD.ASX) was quietly swept up by Fox Corporation after shareholders approved the merger and we were slightly disappointed to have not seen another bidder emerge. Dreamscape Limited (DN8.ASX) completed in very much the same manner, with minimal fanfare and the faint prospect of a contested tussle failing to eventuate.

Pleasingly, Villa World Limited (VLW.ASX) easily navigated FIRB approval, shareholder approval, and court approval to see the scheme implemented and capital proceeds of \$2.345 per share delivered to shareholders. Having received a bump by bidder AVID from its original offer of \$2.23, the closing proceeds reflect an excellent risk-adjusted return. A special dividend of \$0.31 saw the grossed up value of the transaction push closer to the \$2.50 mark after including the attached franking credits, which come as an additional benefit to our investors that can use them.

GBST Holdings Limited (GBT.ASX) closed out in similar fashion with a special dividend pushing gross proceeds up to \$4.00 per share (\$3.85 excluding franking credits). GBT marked one of the better transactions for the portfolio having been subject to multiple competing bidders. The first bid by Bravura Solutions Limited (BVS.ASX) at an implied value of \$2.50 now looks grossly inadequate with the benefit of hindsight. Such is the latent potential of the strategy; GBT is not the first time a company has been subject to a bidding frenzy and nor will it be the last.

Azumah Resources Limited (AZM.ASX) was already subject to an unconditional bid at \$0.028 per share and October saw bidder Ibaera increase its offer for AZM to \$0.033 per share after the initial bid struggled to gain favour amongst shareholders. This was a fantastic result given the little risk taken when we built the position at or close to the original terms of \$0.028.

Echo Resources (EAR.ASX) on the other hand, had also been subject to an unconditional bid which we thought was a good chance of being bumped and so, when the bidder Northern Star Resources (NST.ASX) declared its \$0.33 offer best and final having passed the crucial controlling stake of 50.1% ownership, we were disappointed to say the least. No other bidder ultimately emerged and we subsequently accepted the offer. Even without the result we were hoping for, we did not lose money on the transaction. Not a terrible outcome when all things are considered.

Several new binding deals were added to the portfolio while several more remain on our watchlist as their respective deals progress. QMS Media Limited (QMS.ASX) was one of the more high-profile transactions announced with Quadrant Private Equity offering \$1.22 per share. A small franked dividend of \$0.013 is an additional bonus, however there is a good chance the first offer won't be the last. The industry saw a wave of consolidation last year with QMS originally overlooked. The consolidation has centralised market share amongst the larger players and had created ripe conditions for a roll up of the remaining independent operators. QMS now looks ideally placed with its established foothold to act as an aggregator under private equity ownership. Whether the private owner is Quadrant, however, is not yet certain.

This exact strategy appeared elsewhere in October when the Quadrant backed rollup Advanced Personnel Management entered into a scheme of arrangement with Konekt Limited (KKT.ASX). On offer under the deal is \$0.44 per share plus a fully franked \$0.05 special dividend. The portfolio's position is currently smaller than we would like it to be as a result of being fully invested when the deal was announced. We will continue to monitor and scale into the position as the opportunity permits.

The start to November has already seen a great deal of activity with further deals and price increases announced. We look forward to providing further updates as we look to capitalise on the current opportunities to finish the year strongly.

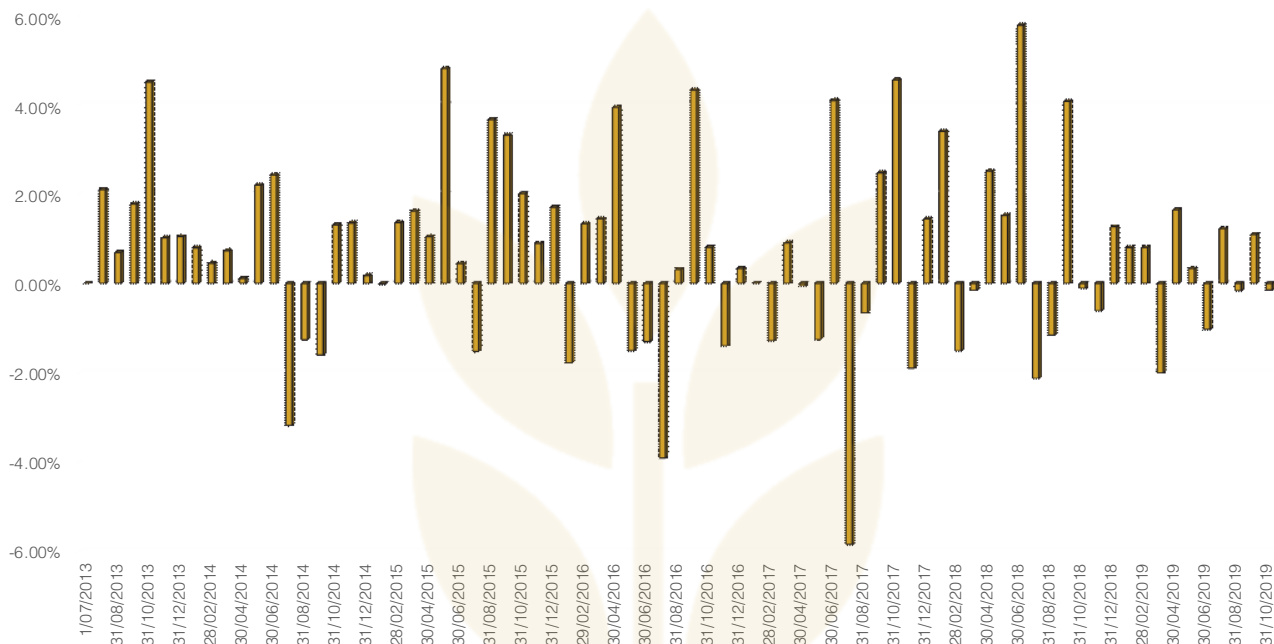
Stepping away from portfolio commentary for a moment, I would like to notify our investors and newsletter readers that I will be presenting at Financial Observer's Undiscovered Managers Showcase in late November to discuss the Harvest Lane strategy and how an investment in one of our Funds fits within the context of a diversified portfolio. If you are interested in attending, you can find more information [here](#).

Kind Regards,

Luke Cummings

Chief Investment Officer and Managing Director (on behalf of the team at Harvest Lane Asset Management)

Monthly Returns History*



Fund Facts

Name	Absolute Return Fund
Structure	Retail daily priced unit trust
Inception	Monday 1 July 2013
Investment Objective	10% p.a (over 3 year period)
Manager Base Fee ¹	Capped at 1.25%
Manager Performance Fee ²	25% (incl GST) of returns above RBA Cash
High Water Mark	Yes
Applications/Redemptions	Daily
Distributions	Annual
Administrator	Fundhost
Auditor	Ernst & Young
Custodian	NAB

Portfolio Analytics

Average Full Financial Year Return ³	9.00%
Average Monthly Return (since inception)	0.72%
% Positive Months	64.47%
Best Positive Month	5.78%
Worst Negative Month	-5.84%
Maximum Drawdown	-6.72%
Annualised Standard Deviation	7.25%
Sortino Ratio	1.970
Sharpe Ratio	1.084
Correlation with ASX200 Accumulation Index	0.022
Beta	0.015
FY19 Distribution	0.0000

¹ Harvest Lane Asset Management does not receive any part of the management fee. Instead this is paid to the Fund's service providers and to recover all expenses.

² Performance fee is charged when the Fund's performance exceeds its benchmark (RBA Cash Rate).

³ Return is calculated as the average of all full financial years since inception (01/07/2013 - 30/06/2019) and does not include returns for the current year.

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Harvest Lane Asset Management Overview

Harvest Lane Asset Management Absolute Return Fund (Fund) is a high conviction absolute return fund which aims to produce high absolute returns using a conservative yet nimble investment approach. The Fund has a strong focus on preservation of capital and its trades have almost no dependence on traditional asset class returns.

The Fund invests very selectively in stocks subject to special circumstances, which the manager believes have limited risk of capital loss and a skew towards positive returns. In practice, the Fund takes advantage of merger arbitrage opportunities and capital raisings in a highly selective manner – and only when its assessment is that these represent a strong risk/return trade-off.

Given its low correlation with other investments and a focus on absolute returns, the Fund may be used in conjunction with other investments as part of a defensive portfolio allocation. Alternatively, it can be used as a standalone lower risk alternative to growth investments.

Considering the Funds strategy identifies a large number of opportunities that include fully franked dividends, the Fund may also suit self managed superfunds and other low tax paying entities depending on their investment objectives.

The manager only charges a performance fee on returns above cash and in the event that the Fund underperforms its benchmark, Harvest Lane Asset Management receives no other payment from investors in the Fund. Management fees go to pay costs and service providers such as Fundhost. The principals of the Fund, and their friends and family are also heavily invested in the Fund which further aligns the interests of its staff with that of its investors.

Disclaimer

This information refers to investments in the Harvest Lane Asset Management Absolute Return Fund (ARSN 614 662 627) (Fund).

Any person seeking to make an investment should review the Product Disclosure Statement (PDS) for the Fund dated 26 November 2018 issued by the responsible entity of the Fund, Fundhost Ltd (ABN 69 092 517 087, AFSL No. 233045) (Fundhost). Before making any decision to make or hold any investment in the Fund you should consider the PDS in full. A copy of the PDS is available here www.harvestlaneam.com.au.

This information has been prepared without taking into account your individual objectives, financial situation or needs. You will need to consider whether an investment in the Fund is appropriate for you, having regard to those matters. You should seek legal, financial and taxation advice before investing. The investment manager of the Fund is Harvest Lane Asset Management Pty Ltd (ACN 158 314 697, Corporate Authorised Representative No.433046 of Harvest Lane Capital Pty Ltd AFSL No.425334). Investment returns are not guaranteed.